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ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS

June 1991

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A DOUBLE-DIP RECESSION IS UNLIKELY; BUT STILL POSSIBLE

Our **PROJECTIONS** indicate a strong surge in economic activity during May, led by substantial gains in consumer spending and inventory rebuilding. Construction spending and manufacturing activity other than inventory rebuilding also appear to be firmer. The coincident indicators, which measure current economic activity, showed the first increase in May since last June. If further gains appear, April may be declared the last month of this relatively short and mild recession that began last July.

Of course, a single month does not constitute the strengthening and cumulative gains that are necessary to declare that a recovery has begun. However, initial unemployment claims in June suggest that further gains in economic activity continued that month. If this increased activity continues to add to the 59,000 gain in employment during May, purchasing power will increase and further gains in consumer spending are likely.

However, some of the exceptional gain in consumer spending during May reflected an early summer. This stimulated sales of summer clothing and also raised utility consumption. Minimal gains in consumption after adjustment for inflation are expected in June. Also, the May gains in consumer spending were largely at the expense of savings. With consumer debt remaining disturbingly high, further declines in savings are not likely. Already, personal bankruptcies have surged 28 percent during the first quarter of this year. Further increases in such bankruptcies are likely. (Indeed, bankruptcies normally reach their peak during the first year of recovery. This occurs because the recession drains financial reserves, which cannot be replenished fast enough early in the recovery. Once the recovery is well underway, however, financial resources are restored.)

Unfortunately, this recovery still could stall. In several other recessions, most notably 1970, economic activity picked up weakly and then subsided to their greatest lows. In 1970, labor market conditions accounted for the double-dip. Strong union activity led to rising labor costs during the recession, leading to little inflationary relief and continued high interest rates. The weakness in sales led to a profit squeeze that caused further layoffs.

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Union activity is not important this time. Hourly earnings have rebounded from a 2.5% annualized gain during the first quarter to a 4.4% gain during the spring. However, most of this gain is caused by changes in composition as high wage jobs begin growing again. When the employment cost index is released for the second quarter, it probably will show a rebound from the 4.6% gain from the previous year during the first quarter; but the gains should be slight. Most sectors are continuing to experience wage moderation, although the medical sector, which experienced no recession, also is experiencing no wage cost relief. Our PROJECTIONS indicate that wages will decline as a share of GNP until 1992.

Despite Wall Street concerns that earnings are weaker than expected during the spring, their expectations rather than economic conditions are at fault. In fact, operating profits less tax liability has experienced only a 1% decline since the recession began, an unusually modest profit erosion. Unlike other recessions, where that estimate of profits fell 15-18%, this modest decline is not being reflected in after tax profits. This is because no inventory profits have been earned during the second quarter while changes in tax liabilities have distorted the deductibility of corporate expenses. Also, corporations have been trying to minimize their borrowing rather than restrain production disruptions, the behavior used in previous recessions. Therefore, production has been more quickly reduced to manage inventory investment while layoffs have been used more vigorously. This shift in corporate objectives during recession has led to sharp declines in employment, but also to rare gains in productivity during a recession.

Also, short-term interest rates have declined in line with most other mild recessions. Therefore, interest payments by corporations have fallen as a share of GNP. If both wages and interest rates fall relative to economic activity, profits almost certainly will perform more than normal. Now that activity is expanding again, further layoffs are not necessary. Therefore, profits should rebound nicely.

Nevertheless, a double-dip recession still is possible, if not likely. First, long-term interest rates have not fallen as much as short-term rates. A steepening of the yield curve almost always precedes a recovery, but short term interest rates are almost a half percentage point lower than normal relative to long-term rates. Furthermore, long-term rates have begun drifting upward even as short-term rates have continued to decline. Further gains in long-term rates could dampen housing activity, reduce capital spending, and discourage the Federal Reserve from further reducing short-term rates. Certainly, the sharp slowing in growth of the monetary base and only modest gains in M2 already indicates a hesitant monetary authority. Only two weeks ago, the veterans' administration increased its mortgage rate offering by half a percentage point to 9.5%.

Second, inflation could rise and reduce the purchasing power of households. Sensitive industrial prices as measured by the Journal of Commerce rebounded from 95 to 99 in April and May before again showing little change in June. However, the sensitive prices in the PPI continue to decline once food and energy are excluded. These inflation measures clearly show little likelihood that demand pressures are adding to inflation, as they should not with so much idle capacity. Inventory liquidation early in the recession, however, reduced the need for price concessions near its completion. Thus, inflation appears to be higher at this stage of the recovery than it will prove to be as moderate wage pressures and excess capacity exert their influence upon price constraints.
Of course, commodity inflation always could shock the system. In agriculture, the only shock may be for reduced inflation, as acreage planted to grains and soybeans were considerably higher than originally expected. In most areas, growing conditions are good to excellent. Thus, an agricultural price shock is an increasingly remote condition, as revealed by the CRB index, which reached a four year low during the past week. Energy still could be a problem with the reduction in Soviet supplies. However, the U.S. recession has slowed demand here and some Iraq and Kuwait oil probably will be delivered before the heating season arrives. The spring shortage of gasoline was caused by changes in processing mandated by the EPA for the summer months. Now that summer gasoline is being produced, that shortage has vanished, and prices are falling even earlier in the summer driving season than normal. Thus, any commodity price shock that materializes is more likely to be downward than upward.

Finally, a slump in the market value of financial assets could restrain consumer spending. Clearly, the low savings rate partially reflects the gains in net worth that wealthy households have experienced because of favorable market conditions. They have no need to save as much out of current income to meet their savings objectives. A sharp decline in market values could reverse this gain in consumer spending. Yet, the average age of the auto and light truck on the road is the highest in more than a decade. Even with the modest increase in sales, autos are being

liquidated more than 2 million in excess of their replacement. Replacement demand alone should generate a moderate spurt in consumer durable purchases. Therefore, even a market decline might not be sufficient to stall consumer spending, and the recovery.

If long-term interest rates continue to rise, a stock market correction is likely. Furthermore, the worldwide shortage of capital has not eased. Soviet, Middle East and Eastern European demand for capital is not being met by rising savings. In fact, savings has begun to fall in Japan, as their domestic economy becomes stronger. And we have not reduced government borrowing as a share of GNP. Thus, real interest rates are rising throughout the world.

As long as the dollar remains strong, such gains are not needed here. Foreign savings is attracted to American assets if they believe currency changes will favor the dollar even if our interest rates are below those in Germany and Japan. Moreover, the sharp decline in the trade deficit and an apparent rebound in American competitiveness in world markets may cause the dollar to remain strong. Although we see a stumble in the dollar during the fall, the dollar should continue to outperform other currencies into next year. The long-term government bond is expected to yield only slightly more than 8% at the end of this year.

A strong dollar, rebounding profits and moderate long-term interest rates should mean gains in stock values, not declines. To be sure, the surge from January to April has been remarkable. Rising long-term interest rates put the brakes on the market rebound later in the spring. If interest rates are again declining, then a summer rally in equity values is likely. Another market stall is expected in the fall before further gains materialize early next year. Of course, actual equity performances could significantly vary from this projection in any given month, but the model used to generate equity values has been surprisingly robust over time.

Assuming inflation remains subdued, long-term interest rates fall the nearly half percentage point to restore a more normal yield curve, and equity values continue to drift upward; a relapse should not quickly follow this developing economic rebound. On the other hand, if those conditions do not develop, a relapse is likely. We are not out of the woods yet, but all the signs are promising.

Monthly Statistical Highlights

	JUNE 1991	JULY 1991	AUGUST 1991
Payroll Employment	74,000	86,000	75,000
Index of Hours Worked	-0.1	0.1%	0.2%
Household Employment	252,000	-14,000	125,000
Civilian Unemployment Rate	6.9%	7.0%	7.0%
Personal Income	0.5%	0.5%	0.5%
Savings Rate	3.7%	3.7%	3.8%
Personal Consumption	0.4%	0.4%	0.4%
Retail Sales	0.6%	0.1%	0.3%
Auto Sales	8.8*	8.7*	8.7*
Housing Starts	2.5%	2.8%	1.1%
Housing Permits	-2.1%	1.1%	2.5%
Construction Expenditures	1.4%	0.6%	0.7%
Business Inventories	0.1%	0.3%	0.3%
Orders for Durable Goods	-1.6%	-0.1%	0.3%
Orders - Nondefense Capital Goods	-0.6%	2.6%	-3.6%
Industrial Production	0.3%	0.4%	0.3%
CPI	0.3%	0.3%	0.3%
PPI	0.1%	0.1%	0.1%
Consumption Deflator	0.2%	0.2%	0.3%
Leading Indicators	0.3%	0.2%	0.2%
Currency Index	4.7%	0.8%	-1.8%
Equity Index	1.3%	3.3%	-2.0%
Real GNP (annual rate)	4.1%	2.6%	0.3%
M1 (annual rate)	8.3%	4.1%	7.5%
M2 (annual rate)	1.8%	5.9%	4.9%

* auto sales in millions

COMMENTARY

EMPLOYMENT-Payroll employment rebounded 59,000 in May while the workweek also expanded. As a result, the index of hours worked increased a strong 0.8%. The diffusion index showed a less impressive, but nonrecessionary 52% of all industries hiring. The hourly earnings index continued to accelerate, but probably because of changes in the composition of high wage earners. This generally strong report was marred by a sharp drop in the household estimate of employment, which led to a substantial gain in unemployment. Indeed, the May household employment level was the lowest of the recession. Nevertheless, sampling problems rather than other factors probably accounted for the discrepancy. Some rebound in household employment certainly is expected for June.

Although the memorial day holiday distorted the **initial unemployment claims**, the latest claims are not holiday impaired and they show a nonrecessionary 431,000 claims. This is consistent with a 10,000 weekly gain in payroll employment. Thus, employment is not surging, but it is improving. Also, the latest insured unemployment rate is slightly below recessionary highs, suggesting no further increase in unemployment at this time.

PERSONAL INCOME AND OUTLAYS-Despite some increase in earnings in goods producing industries, wages and salaries increased a modest 0.6% in May. Modest gains in the government and distributive industries accounted for this unexpectedly modest gain. Farm income continues to deteriorate, and may fall further if crops continue to develop well. (Low price elasticities mean that production leads to reduced prices and earnings.) Property income continues to fall, although interest income soon should stabilize now that short-term interest rates appear to be stabilizing. The sharp savings decline in May suggests that some consumption for utilities was involuntary and will be reversed when weather permits.

The rebound in consumer spending was widespread. Auto sales are rebounding, if only modestly. Furniture sales have increase in the past two months. Nondurables remain sluggish, although clothing sales were strong in May, possibly because of early summer weather. Dining out remains sluggish, however. Utility consumption clearly impacted services expenditures as did improving volumes on financial markets. Those gains clearly will not be sustained. Nevertheless, consumption is rebounding and should continue to improve modestly into the summer. A slight discrepancy has developed between retail durable sales and consumer durable expenditures. Apparently, seasonal factors are different for the two series, as expenditures fell more than retail sales during the winter and have now rebounded less than retail activity.

Consumption gains in the third quarter will not sustain spring gains because of the low savings rate during the spring, the involuntary utility purchases and the rebound from the dismal January that impacted the first quarter.

CONSTRUCTION-Higher interest rates already appear to be slowing **housing starts.** Apartment activity reached its lowest level since records began in 1963. However, apartment permits have increased for several months. This suggests that some permits are being banked to avoid tightening regulations in some markets, such as Florida, while builders also may be struggling to finance their projects. This apartment level is so low that some rebound is expected. The percentage gains are large, but they are from an unusually small base. During May, If interest rates ease, as expected here, housing should continue to rebound well into next year.

Residential expenditures should lead total construction upward during the recovery. Public construction also appears to be recovering from a sharp slump during the winter months. Although a rebound also is expected for nonresidential construction, this is less likely. However, a rebound in April indicates that some builders are receiving financing for commercial, industrial and retail activity, all of which rose that month.

The construction deflator rebounded in April, and may show further gains because of the surge in lumber costs following the spotted owl decision. (Prices have surged 30% in the past two months.) Other construction prices remain modest, but the higher cost of lumber materials could undermine the construction rebound if it continues.

BUSINESS ACTIVITY-Despite reduced backlogs, manufacturing activity continues to rebound. Perhaps, a smaller backlog will be the norm in this just-in-time manufacturing environment. At any rate, the sharp spring slump in orders for nondefense capital goods has not impacted shipments, which generates jobs. Moreover, inventories continue to be liquidated at all stages. Thus, the shipments do not merely reflect the completion of long-lived projects. Even so, the typical lag between economic recovery and capital spending should also be present in this recovery. Therefore, orders should remain modest, and shipments will be slow until more orders develop.

Business inventories have been reduced more rapidly at the retail level during the spring than in the winter. This had to be done, because retail inventories remained high relative to sales until sales began to improve. Even so, inventories will add little to production during the spring but then will be a significant contributor in the summer and fall.

Excluding utilities, industrial production only gained 0.2% in May. A modest portion of that was in autos, where passenger cars were assembled at 5.4 million while trucks were produced at 3.3 million. With domestic autos selling at 6.5 million, further gains in production of consumer goods are likely. Also, industrial material production should pick up because of low inventories while utility production will subside as more seasonal weather surfaces. Capacity continues to expand at 2.5%, leading to only a modest gain in utilization rates into 1992. This will restrain capital spending, but it also will restrict any significant price gains.

PRICES-Except for the spotted owl and its impact upon lumber prices, fear of inflation is difficult to justify. Consumer prices have slowed perceptively, especially in the service sector. This normally slow to respond sector strongly suggests that underlying inflation is not intensifying. Everyone who worries about inflation is concerned that prices have not moderated as much as in other recessions. Of course, with inventory overhangs a smaller part of this recession, commodity prices should not have been expected to fall a great deal. Low capacity utilization will prevent accelerating prices early in the recovery. Thus, the GNP deflator should grow about half a percentage point less during the first year of recovery than during the recession. Consumer and producer prices should slow a full percentage point. This price moderation already is apparent through May in the components of the consumption deflator.

MISCELLANEOUS-Although information remains incomplete for May, production may have rebounded sharply in that month. The industrial production and coincident indicators indices do not show a sharp rebound, but the surge in consumption, reduced inventory liquidation, increased manufacturing shipments, and some construction gains all suggest that activity rebounded sharply. Because of this gain, GNP should increase slightly after inflation during the spring. Despite the May surge, activity is expected to grow modestly in the first year of recovery.

The **leading indicators** have rebounded strongly with all the variables except expectations related ones showing gains in May. Contrary to press reports, the leading indicators are only a few months ahead of an economic rebound, although they may lead the downturn by up to a year or more. A rebound in the coincident indicators may confirm that the recovery began in May.

A sharp improvement in **merchandise trade** along with a dollar shortage caused by pledges for the Persian Gulf Crisis has stimulated the dollar. As recovery begins, imports should rebound. However, the trade sector performed dramatically differently in this recession compared to the 1982 decline. In that former decline, imports actually rose, suggesting that American producers could not compete even in the United States. During this recession, imports fell sharply while exports expanded. Although a non-synchronized world cycle accounted for much of this difference, imports clearly fell more sharply than domestic production. At least in the United States, American producers have restored their competitiveness. This suggests that some of that trade improvement should persist unless the dollar becomes too strong.

FINANCIAL MARKETS

The government deficit will be a record this year, but the increase in government borrowing is mild for a recession. As the economy recovers, some decline in government borrowing should be expected. The deficit this year is projected to be $290 billion, of which more than $50 billion is the result of the savings and loan bailout. Thus, the operating deficit of the government is only slightly higher than the 1986 record deficit. As a result, some government restraint in spending is developing. As the economy recovers, government borrowing for operating purposes should fall, allowing some relief in heavy government supplies of bonds that have materialized. (Borrowing for the thrift bailout does not have the same impact as the government is taking over assets that were in the private sector with this borrowing. Thus, depositors have more funds because of the government borrowing, causing a shift in asset ownership but no change in domestic net savings.)

Of course, the end to inventory liquidation has increased corporate borrowing. However, some profit gains are being generated. Certainly corporate cash flow is improving. Corporations also are maintaining their capital appropriations, thus leading to increased use of funds. Corporate rather than government borrowing has been responsible for the uptick in interest rates this spring. Further corporate borrowing pressure is likely, but not as much as in the spring.

The household sector also substantially reduced savings while modestly increasing housing purchases. This led to reductions in the household supply of funds to credit markets. With both the corporate and household sector reducing their net savings, rising interest rates should not have been surprising. However, housing investment should grow slowly while household savings should rebound from low second quarter levels. Therefore, some moderation in interest rates is likely during the second half of this year.

A strong dollar also has encouraged capital flows into the United States. Some liquidation of financial positions occurred in Japan increased the dollar portion of their portfolios. If that market stabilizes, the strong dollar should again prevail, causing further capital flows into the United States. This could be reversed during the fall, when interest rates might begin drifting upward, but reduced government supply at that time may be enough to prevent rising interest rates until next year.

A review of the sources and uses of funds shows why interest rates rose during the spring. Also, that methodology suggests that interest rates should fall during the summer and stabilize in the fall before rising next year. Since the Federal Reserve will retain current short-term interest rates, these changes should be observed on the long-end of the market. No substantial interest rate reductions are expected during the summer, but a decline toward 8% yield for the government long bond is expected.

EQUITY MARKETS-Despite downward revisions in after tax profits for the first quarter, operating profits less tax liabilities improved significantly. Coupled with a sharp drop in long-term interest rates, a substantial rebound in stock values was assured. Only a dip in currency markets prevented all indicators from flashing strong go signals. In the spring, rising interest rates stalled the recovery in equity values despite further projected profit gains and sharp gains in the dollar. Even so, equity values increased significantly from first quarter levels. During the summer, all factors should again be favorable for equity values. Indeed, technicians might be surprised with values in excess of the 3100 they are projecting for the Dow. Our model continues to show modest gains early next year despite rising interest rates.

Currently, multi-national and capital goods stocks, including technology issues, should be avoided. The medical sector should remain moderately weighted but no increase in their importance should be encouraged. This is because that sector has not experienced a recession and should not show the large recovery gains that cyclicals and discretionary consumer stocks will show. Some apparel and restaurant holdings should be included in those discretionary items.

Cyclical issues should do well, but the recovery already is apparent. Therefore, most of the returns expected in a recovery already are in the values of those holdings. Some of the metals and fibers, which are lagging other cyclicals, should do well. Some of the utilities could again rebound as interest rates ease into the fall. However, only a secondary gain is expected there.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate	Hourly Earnings	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	Proj	AR%
January 1991	109418		121.3		116922		6.1	10.18	
February	109160	-2.4	121.5	-5.4	116918	-2.4	6.4	10.20	2.5
March	108902		120.9		116754		6.8	10.24	
April	108722		120.0		117398		6.6	10.28	
May	108781	-1.4	121.1	-1.7	116591	0.3	6.9	10.32	4.4
June	108855 *		121.0 *		116843 *		6.9 *	10.35 *	
July	108941		121.1		116827		7.0	10.39	
August	109016	0.9	121.3	1.9	116952	0.0	7.0	10.42	4.2
September	109127		121.4		117053		6.9	10.46	
October	109246		121.6		117126		7.0	10.49	
November	109322	1.1	121.8	1.8	117243	1.0	6.9	10.53	4.0
December	109416		122.0		117328		7.0	10.56	
January 1992	109516		122.1		117405		7.1	10.60	
February	109628	1.0	122.3	1.7	117554	1.0	6.9	10.64	4.2
March	109679		122.5		117627		6.9	10.67	
April	109793		122.6		117624		7.0	10.71	
May	109904	1.1	122.7	1.3	117813	0.9	6.9	10.74	4.1
June	110043		122.8		117942		6.8	10.78	
Chng Jun(92)/Jun(91)		1.1		1.5		0.9	0.8 #		4.2
Chng Jun(91)/Jun(90)		-1.5		-2.9		-1.2	0.6 #		3.2

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	4.724		2.741		191.3		4.009		3.818	
February	4.733	1.6	2.742	0.3	169.8	-7.8	4.019	1.7	3.850	2.1
March	4.750		2.746		145.1		4.035		3.890	
April	4.755		2.750		163.1		4.038		3.875	
May	4.779	3.7	2.766	3.0	144.4	-33.3	4.061	3.9	3.916	5.8
June	4.801 *		2.774 *		149.9 *		4.080 *		3.930 *	
July	4.823		2.788		152.9		4.098		3.945	
August	4.846	5.8	2.802	5.8	155.9	6.5	4.117	5.8	3.961	5.8
September	4.869		2.817		155.9		4.136		3.980	
October	4.894		2.831		154.9		4.157		4.002	
November	4.922	6.4	2.848	6.6	158.7	10.1	4.181	6.3	4.022	6.1
December	4.948		2.863		162.3		4.203		4.040	
January 1992	4.972		2.877		164.7		4.224		4.059	
February	5.000	6.5	2.894	6.6	174.1	37.3	4.252	6.8	4.078	5.8
March	5.025		2.908		176.4		4.274		4.097	
April	5.051		2.923		178.6		4.295		4.117	
May	5.074	6.2	2.935	6.1	178.4	16.7	4.314	6.2	4.136	5.8
June	5.099		2.950		178.4		4.334		4.156	
Chng Jun(92)/Jun(91)		6.2		6.4		19.0		6.2		5.8
Chng Jun(91)/Jun(90)		3.5		2.3		-17.1		3.5		4.5

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.
is the percentage change in the labor force

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	3707.8		440.3		1205.8		2061.7		2643.1	
February	3740.0	1.9	453.5	-12.3	1215.3	-1.2	2071.2	6.9	2660.0	-1.5
March	3780.7		472.2		1217.0		2091.5		2688.2	
April	3765.6		453.2		1209.5		2102.9		2671.1	
May	3806.6	6.0	466.1	7.2	1219.8	1.8	2120.7	8.2	2694.0	3.7
June	3820.0 *		470.5 *		1224.9 *		2124.6 *		2698.5 *	
July	3835.4		469.4		1228.5		2137.5		2703.1	
August	3851.4	5.9	470.5	7.3	1232.1	4.5	2148.9	6.4	2706.8	3.0
September	3870.2		474.6		1233.9		2161.7		2713.7	
October	3892.0		478.5		1238.7		2174.8		2723.0	
November	3911.8	6.3	481.2	8.4	1244.0	4.0	2186.5	7.1	2729.6	3.1
December	3930.2		483.5		1248.5		2198.2		2734.1	
January 1992	3949.0		484.8		1252.9		2211.4		2738.9	
February	3967.8	5.9	487.7	5.3	1255.7	4.1	2224.3	7.1	2744.6	2.3
March	3986.9		489.6		1260.6		2236.7		2749.8	
April	4006.3		492.9		1264.8		2248.6		2754.9	
May	4025.2	5.9	494.9	6.8	1268.9	4.0	2261.3	6.9	2759.2	2.3
June	4045.3		498.5		1272.5		2274.2		2765.2	
Chng Jun(92)/Jun(91)		5.9		5.9		3.9		7.0		2.5
Chng Jun(91)/Jun(90)		5.1		-2.3		3.1		7.1		0.2

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	147.81		21.71		7.6		96.91		29.19	
February	151.10	-1.7	22.48	1.1	8.3	-30.1	97.86	-1.1	30.76	-5.9
March	151.47		22.58		8.7		97.74		31.15	
April	150.92		22.76		7.9		97.22		30.94	
May	152.47	5.8	23.03	12.6	8.4	8.4	98.02	1.6	31.42	15.0
June	153.40 *		22.99 *		8.8 *		98.43 *		31.98 *	
July	153.56		23.05		8.7		98.72		31.79	
August	153.97	4.8	23.18	3.9	8.7	11.6	99.01	4.5	31.78	6.3
September	154.60		23.21		8.4		99.16		32.23	
October	155.44		23.33		8.6		99.54		32.57	
November	156.19	5.6	23.42	4.7	8.7	4.7	99.97	4.0	32.80	11.1
December	156.81		23.49		8.8		100.33		32.99	
January 1992	157.31		23.56		8.8		100.68		33.07	
February	157.89	4.6	23.70	4.8	8.9	7.9	100.91	4.1	33.28	5.7
March	158.50		23.81		8.9		101.30		33.39	
April	159.22		23.88		9.0		101.64		33.70	
May	159.79	5.0	23.97	4.9	9.1	12.6	101.97	4.0	33.85	8.1
June	160.50		24.08		9.3		102.26		34.16	
Chng Jun(92)/Jun(91)		4.6		4.7		5.7		3.9		6.8
Chng Jun(91)/Jun(90)		2.2		1.3		-11.2		2.6		1.0

PROJ includes current information until the * and then projections by month thereafter
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CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1991	0.847		0.648		0.199		0.802	
February	0.992	-41.0	0.788	-27.3	0.204	-70.1	0.876	-17.3
March	0.907		0.742		0.165		0.892	
April	0.981		0.807		0.174		0.913	
May	0.982	36.8	0.832	69.2	0.150	-46.4	0.979	51.2
June	1.007 *		0.845 *		0.162 *		0.958 *	
July	1.035		0.862		0.173		0.969	
August	1.046	21.3	0.870	19.5	0.176	31.1	0.993	17.3
September	1.036		0.865		0.171		1.004	
October	1.044		0.866		0.178		1.015	
November	1.071	11.5	0.882	7.0	0.189	36.4	1.023	15.1
December	1.088		0.893		0.195		1.034	
January 1992	1.105		0.902		0.203		1.041	
February	1.106	16.4	0.905	10.5	0.201	47.2	1.045	10.1
March	1.116		0.901		0.215		1.061	
April	1.134		0.913		0.221		1.078	
May	1.153	14.7	0.925	7.7	0.228	49.1	1.089	15.4
June	1.156		0.921		0.235		1.095	
Chng Jun(92)/Jun(91)		14.8		9.0		45.1		14.3
Chng Jun(91)/Jun(90)		-12.8		-5.1		-45.5		-15.1

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1991	130.7		103.6		161.7		396.0		358.4	
February	132.7	-7.5	110.1	-15.8	154.7	-26.8	397.5	-17.9	359.7	-17.3
March	127.0		108.1		154.1		389.2		353.5	
April	131.3		107.9		155.1		394.3		356.5	
May	130.3 *	2.5	109.0 *	6.0	156.7 *	1.8	396.0 *	3.2	359.0 *	2.8
June	131.2		109.6		160.8		401.6		363.4	
July	131.5		110.2		162.4		404.1		365.0	
August	131.2	1.7	110.5	6.7	164.9	19.1	406.6	9.8	367.0	8.3
September	131.8		111.1		166.4		409.3		368.8	
October	132.5		111.5		166.9		410.9		369.5	
November	132.8	2.7	112.2	5.7	168.1	10.4	413.1	6.6	370.9	4.5
December	131.8		112.7		171.1		415.6		372.7	
January 1992	132.4		113.5		174.4		420.3		376.0	
February	132.8	1.2	113.2	5.0	176.6	19.7	422.6	9.5	377.3	7.2
March	133.1		113.8		178.3		425.2		379.3	
April	133.5		114.6		180.0		428.1		382.3	
May	133.9	3.7	115.3	6.0	182.2	13.2	431.4	8.2	385.2	7.9
June	134.5		115.6		183.7		433.8		387.0	
Chng Jun(92)/Jun(91)		2.5		5.5		14.2		8.0		6.5
Chng Jun(91)/Jun(90)		-6.4		-1.7		-15.1		-9.0		-9.4

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	388.4		117.79		33.96		31.72	
February	388.5	-3.2	117.55	-18.8	33.76	-32.2	32.21	-18.1
March	386.0		112.12		31.94		31.41	
April	385.3		116.15		28.75		31.73	
May	384.9 *	-2.4	120.53	9.4	29.95	-37.9	32.06	2.9
June	385.6		118.65 *		29.76 *		32.23 *	
July	386.7		118.53		30.52		32.07	
August	387.8	2.7	118.84	2.2	29.42	9.2	32.09	1.7
September	389.0		119.91		30.48		32.27	
October	391.3		119.42		30.93		32.15	
November	393.2	5.6	118.81	1.4	30.72	10.3	32.41	1.7
December	395.0		120.26		31.01		32.28	
January 1992	396.8		120.49		31.47		32.56	
February	397.9	5.0	118.83	0.8	31.42	9.5	32.71	3.7
March	399.2		119.92		31.89		32.46	
April	401.0		120.23		32.16		32.72	
May	402.8	4.8	120.89	3.4	32.49	12.3	32.89	4.1
June	404.1		121.12		32.91		33.11	
Chng Jun(92)/Jun(91)		4.8		2.0		10.6		2.7
Chng Jun(91)/Jun(90)		0.3		-6.6		-8.4		-1.3

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	831.4		8.20		106.6		80.0	
February	828.2	0.4	8.57	-18.9	105.7	-9.6	79.1	-11.8
March	819.6		8.57		105.0		78.4	
April	815.2		8.86		105.3		78.5	
May	814.7 *	-5.3	8.43	7.1	105.8	-0.1	78.7	-2.7
June	815.6		8.49 *		106.1 *		78.7 *	
July	818.1		8.63		106.5		78.8	
August	820.6	2.6	8.66	3.1	106.8	4.2	78.9	1.4
September	822.7		8.69		107.2		79.0	
October	826.6		8.65		107.6		79.1	
November	830.3	4.9	8.60	-3.0	108.0	4.2	79.2	1.4
December	834.3		8.53		108.2		79.2	
January 1992	837.8		8.56		108.4		79.2	
February	841.2	5.4	8.62	-0.8	108.6	2.6	79.2	0.2
March	844.9		8.55		108.9		79.2	
April	848.0		8.59		109.1		79.2	
May	851.3	4.9	8.62	2.7	109.4	2.7	79.3	0.3
June	855.2		8.69		109.6		79.3	
Chng Jun(92)/Jun(91)		4.9		2.4		3.3		0.8
Chng Jun(91)/Jun(90)		0.4		-6.2		-3.6		-6.2

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	134.8		122.0		119.3		134.4	
February	135.1	3.5	121.3	-3.2	115.2	-14.4	134.8	5.2
March	135.0		120.9		115.1		135.2	
April	135.3		121.1		115.5		135.6	
May	135.6	1.9	121.8	0.8	116.1	-2.6	136.1	3.7
June	135.9 *		122.0 *		115.7 *		136.5	
July	136.2		122.2		116.3		136.9	
August	136.6	2.8	122.4	2.6	116.9	1.6	137.2	3.5
September	136.9		122.7		115.5		137.5	
October	137.2		122.9		117.1		138.0	
November	137.6	3.0	123.1	2.4	117.4	4.1	138.4	3.5
December	138.0		123.5		117.7		138.8	
January 1992	138.4		123.8		118.0		139.2	
February	138.8	3.5	124.1	3.1	118.1	2.5	139.7	3.7
March	139.2		124.4		118.3		140.1	
April	139.6		124.7		118.6		140.4	
May	140.0	3.6	125.0	3.1	118.8	2.3	141.0	3.7
June	140.4		125.3		119.0		141.4	
Chng Jun(92)/Jun(91)		3.3		2.7		2.9		3.6
Chng Jun(91)/Jun(90)		4.5		3.7		2.1		4.2

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	140.3		112.4		135.4		151.5		110.5	
February	140.6	3.5	113.1	0.8	135.3	0.8	152.2	4.7	110.5	-1.0
March	140.6		113.4		134.9		152.7		110.1	
April	141.0		112.9		135.1		153.0		110.6	
May	141.3	2.2	113.5	1.4	135.4	0.5	153.4	3.4	110.3	0.4
June	141.6 *		113.7 *		135.6 *		153.8 *		110.5	
July	141.9		113.8		135.7		154.3		110.7 *	
August	142.3	2.8	114.0	2.3	136.0	1.9	154.8	3.6	110.8	1.3
September	142.6		114.2		136.3		155.2		111.0	
October	142.9		114.5		136.5		155.6		111.2	
November	143.3	3.0	114.7	2.6	136.8	2.5	156.1	3.5	111.4	1.9
December	143.7		115.0		137.2		156.6		111.5	
January 1992	144.2		115.2		137.6		157.1		111.8	
February	144.6	3.5	115.4	2.3	137.9	3.3	157.6	3.9	112.0	2.2
March	145.0		115.6		138.3		158.1		112.1	
April	145.4		115.9		138.7		158.6		112.0	
May	145.9	3.6	116.2	2.7	139.0	3.2	159.2	4.0	112.0	0.2
June	146.3		116.4		139.4		159.7		112.1	
Chng Jun(92)/Jun(91)		3.3		2.4		2.8		3.8		1.4
Chng Jun(91)/Jun(90)		4.4		1.5		4.3		4.6		0.3

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj
January 1991	-7.38		138.7		5548		4128		5.6
February	-5.50	-25.8	140.2	-11.4	5562	2.5	4126	-2.6	13.4
March	-4.07		141.4		5548		4103		10.5
April	-4.78		142.0		5559		4100		2.3
May	-4.93 *	39.8	143.1	8.1	5614	4.0	4126	0.3	-1.8
June	-5.22		143.5 *		5649		4140		-4.6
July	-5.20		143.8		5679		4149		-7.5
August	-5.56	-38.3	144.0	3.2	5695	6.5	4150	2.9	-8.7
September	-5.43		144.2		5715		4156		-10.6
October	-5.78		144.6		5766		4178		-13.0
November	-5.93	-38.1	144.8	2.4	5790	6.8	4184	3.2	-11.6
December	-5.84		145.2		5816		4191		-11.8
January 1992	-5.52		145.3		5849		4203		-12.4
February	-5.29	30.7	145.6	2.1	5877	6.0	4206	2.2	-12.4
March	-5.20		146.0		5901		4213		-13.1
April	-5.27		146.2		5927		4221		-12.4
May	-5.18	11.5	146.5	2.3	5957	5.8	4225	2.0	-12.4
June	-5.08		146.7		5993		4240		-13.1
Chng Jun(92)/Jun(91)		2.7		2.2		6.1		2.4	
Chng Jun(91)/Jun(90)		21.3		-1.8		3.5		-0.6	

	Currency Index		Adjusted Profits		30 - Year Government Bonds		New York Composite	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1991	83.51		167.4		8.27		177.95	
February	82.12	-19.0	171.8	23.2	8.03	-11.4	197.75	54.2
March	88.12		174.0		8.29		203.57	
April	89.67		171.4		8.21		207.71	
May	91.17	40.5	174.9	8.1	8.27	6.3	206.93	34.9
June	95.42 *		177.0		8.49 *		209.63 *	
July	96.23		178.1		8.34		216.57	
August	94.47	14.8	178.7	10.5	8.38	-1.3	212.25	17.3
September	95.28		179.8		8.17		220.92	
October	92.11		180.9		8.24		213.02	
November	91.46	-9.4	182.7	8.1	8.33	-2.1	211.36	0.1
December	95.43		183.6		8.19		225.48	
January 1992	94.27		184.2		8.36		218.84	
February	96.62	12.1	185.6	6.3	8.45	9.5	223.65	8.7
March	96.21		185.9		8.52		221.14	
April	96.89		186.7		8.55		222.95	
May	97.43	7.1	188.9	7.2	8.53	5.8	227.38	8.5
June	97.76		189.8		8.61		227.04	
Chng Jun(92)/Jun(91)		2.5		7.2		1.4		8.3
Chng Jun(91)/Jun(90)		3.2		-1.0		0.4		6.6

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	326.8		826.8		3331.0		6.91		6.28	
February	332.8	14.9	836.3	6.0	3354.3	3.6	6.25	-52.7	6.20	-40.0
March	334.4		843.0		3375.0		6.12		5.92	
April	333.3		842.2		3382.9		5.91		5.71	
May	334.6	4.0	851.9	7.5	3396.1	4.9	5.78	-32.6	5.61	-26.1
June	335.8 *		857.6 *		3401.2 *		5.78 *		5.74 *	
July	336.8		860.5		3417.6		5.73		5.71	
August	337.9	4.2	865.7	6.9	3431.2	4.6	5.76	-4.5	5.63	-1.2
September	339.3		868.6		3446.7		5.78		5.67	
October	340.6		873.6		3461.2		5.78		5.72	
November	342.1	5.0	878.9	6.7	3475.3	5.2	5.83	7.4	5.80	9.5
December	343.8		884.6		3490.2		5.97		5.88	
January 1992	345.0		887.0		3505.6		6.02		6.03	
February	346.3	5.0	891.4	5.8	3520.7	5.3	6.05	14.4	6.01	16.8
March	347.8		896.3		3536.2		6.11		6.05	
April	349.1		900.7		3550.4		6.07		6.03	
May	350.5	4.8	905.3	6.3	3566.8	5.3	6.05	0.4	5.98	-1.5
June	351.7		909.5		3583.1		6.08		6.01	
Chng Jun(92)/Jun(91)		4.7		6.0		5.3		5.2		4.7
Chng Jun(91)/Jun(90)		9.8		5.7		3.4		-30.3		-24.8

	AAA (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Papers		90 Day CD's		Prime Rate	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	9.04		7.08		7.10		7.17		9.52	
February	8.83	-14.7	6.91	-11.4	6.49	-48.7	6.60	-48.4	9.05	-28.7
March	8.93		7.10		6.41		6.45		9.00	
April	8.86		7.02		6.07		6.06		9.00	
May	8.86	-0.7	6.95	0.2	5.92	-33.4	5.91	-36.9	8.50	-20.9
June	9.03 *		7.13 *		6.08 *		6.05 *		8.50 *	
July	8.93		7.04		5.96		5.98		8.50	
August	8.96	-0.7	7.06	-1.5	5.87	-9.0	5.95	-3.5	8.50	-7.5
September	8.81		6.92		5.82		5.93		8.50	
October	8.85		6.95		5.93		6.01		8.50	
November	8.93	-0.3	7.01	-1.5	6.12	13.6	6.19	13.6	8.78	12.8
December	8.90		6.98		6.17		6.24		9.00	
January 1992	8.98		7.04		6.25		6.33		9.00	
February	9.07	7.9	7.12	7.7	6.23	12.2	6.38	14.1	9.00	11.4
March	9.14		7.17		6.27		6.35		9.00	
April	9.21		7.23		6.32		6.41		9.00	
May	9.20	6.8	7.24	7.7	6.30	4.6	6.42	5.1	9.00	0.0
June	9.23		7.26		6.34		6.47		9.00	
Chng Jun(92)/Jun(91)		2.2		1.8		4.3		6.9		5.9
Chng Jun(91)/Jun(90)		-2.5		-1.5		-25.3		-26.5		-15.0

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